




# STATE OF CONNECTICUT

## OFFICE OF POLICY AND MANAGEMENT

To: All Agency Heads

From: Benjamin Barnes, Secretary 

Date: August 5, 2016

Subject: Agency Budget Requests for the FY 2018 and FY 2019 Biennium

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Following is guidance for developing your baseline budget for fiscal years 2018 and 2019. Under CGS Sec. 4-77, agency budget requests are due to OPM not later than September 1<sup>st</sup>. Accordingly, **budget requests must be submitted to OPM by September 1, 2016.**

### **Development of the Governor's Recommended Budget for the FY 2018 and FY 2019 Biennium**

The first step in the state's biennial budget process is the development of a baseline budget. The baseline budget is based on current appropriations adjusted to reflect changes in funding requirements under existing state and federal laws. Typical adjustments include the impact of reflecting full-year costs or savings for programs that will start or end during the current fiscal year (annualization), legally-required rate changes for rate-based expenditures, anticipated changes in caseload or utilization, funding changes that are contractually required, and the impact of other statutory, federal or legally-required changes that affect expenditure requirements.

### **Policy Options**

Following the completion of the baseline budget, policy options that would modify the baseline level of revenue or expenditures are reviewed for their possible inclusion in the Governor's final recommended budget. (Note that reallocations of funding between appropriations constitute policy options and should not be submitted as baseline adjustments.) Instructions for submitting policy options for consideration by the Governor will follow in the coming weeks. The anticipated due date for options is October 7, 2016.

Our ability to fund new or expanded programs in the coming biennium will be constrained by available revenue. Accordingly, a critical look at existing programs and activities should be undertaken in order to direct resources in ways that continue to improve the services and operations of state government. Agencies are always encouraged to hold discussions with their assigned budget analyst regarding potential budget options.

### **Baseline Operating Budget**

Under CGS Sec. 4-77, agencies are required to submit estimates of expenditure requirements for each year of the upcoming biennium to the Office of Policy and Management. This year, agencies will be

preparing submissions for the biennial budget covering fiscal years 2018 and 2019. All submissions of estimated operating budget requirements must be developed and submitted using the Automated Budget System (ABS) software available at:

<http://www.ct.gov/opm/cwp/view.asp?a=2961&Q=583460&PM=1&opmNav=|>

This letter establishes guidelines and planning factors to be used for development of the baseline budget as well as operating instructions for using the Automated Budget System software. Questions regarding budget development should be directed to your assigned budget analyst. **Budget requests must be submitted to OPM by the statutory deadline: September 1, 2016.**

In accordance with CGS Sec. 4-73, budget requests are developed with program-level detail. The statute requires that the following narrative information be provided for each budgeted program:

1. The statutory authorization for the program,
2. A statement of program objectives,
3. A description of the program, including a statement of need, eligibility requirements, and any intergovernmental participation in the program,
4. A statement of performance measures by which accomplishments toward the program objectives can be assessed, and
5. An explanation of any significant program changes.

Each agency must update its program budget text and the description of agency purpose to make them current; contact your budget analyst if you have questions. Agencies will be notified when the budget narrative text from the budget-in-detail (long narrative) and from the budget summary (short narrative) will be available for download at the web site noted in the accompanying software instructions. **Narratives and measures must be updated and are due to your assigned OPM analyst by November 1, 2016.**

In addition to the narrative elements above, the Governor's budget must also include the following information for each budgeted appropriation and program:

1. Program budget data, broken down by major object of expenditure (account code), showing federal and private funds,
2. A summary of permanent full-time positions by fund,
3. A statement of expenditures for the last-completed and current fiscal years, and
4. The agency request and Governor's recommendation for expenditures in each year of the ensuing biennium.

As noted above, the baseline request includes estimated expenditure requirements for each combination of fund, program, SID, and account category. The request must include FY 2016 actual (unaudited) expenditures, FY 2017 budgeted expenditures, and FY 2018 and FY 2019 requested appropriations for all appropriated funds. Both the FY 2018 and the FY 2019 requests are based on a series of proposed adjustments to the funding level included in the FY 2017 appropriation, which are detailed below.

### **Technical Adjustments to the Baseline**

#### **Personnel Cost Projections**

- The starting point for personnel costs is the current year (FY 2017) appropriation level.

- The only settled contract at this time is for the State Police bargaining unit (NP-1). Contractually-required increases for this bargaining unit are reflected in the ABS software. The software will reflect no increases for the remainder of the workforce. Any adjustments due to agreements that are reached prior to presentation of the Governor's budget in February 2017 will be handled centrally by OPM.
- In order to facilitate the calculation of increases due to collective bargaining, the system will automatically calculate GWI and AI/Exception increases based on the assumptions outlined in the previous bullet, as well as your agency's roster.
- The calculations noted above apply to both Personal Services accounts as well as any wage accounts in Other Current Expenses appropriations.

### **Inflation**

- Do not budget for inflation unless such adjustment is statutorily required. Provide a statutory cite if an inflationary adjustment is requested.
- Do not request inflationary adjustments on commodity purchases.

### **Municipal Aid**

- Reflect the statutory level for formula-based municipal aid. Any changes in funding for formula-based municipal aid will be handled as policy adjustments during the budget option process.
- Non-formula aid should be consistent with FY 2017 funding unless a negative adjustment is required based on caseload or other factors.
- Do not include requests for estimated requirements within the Municipal Revenue Sharing Fund.
- Funding for Town Aid Road grants should not be included in the biennial budget request. This will be handled centrally by OPM as a policy option.

### **Rate-Based Programs**

- Include rate changes required under existing statute. Do not include discretionary rate changes; these may be considered as policy adjustments.

### **Caseload Adjustments**

- For caseload or utilization-based expenditures, adjustments to baseline spending may be requested based on anticipated changes in caseloads or utilization. For accounts where both a caseload/utilization and a unit cost or rate factor is proposed, the utilization factor should be applied before the cost/rate factor. If you are unsure about requesting these increases, contact your assigned budget analyst to discuss potential adjustments.

### **Annualization and Other Adjustments**

- Include an annualization adjustment, if needed, for any new or expanded programs funded during FY 2017.
- Include a negative annualization adjustment where there are decreased costs for programs that will expire or be reduced during or after FY 2017. Include annualization adjustments, if

needed, for any reductions implemented in FY 2016 and FY 2017 as a result of approved agency plans for adjusting to resources available in the FY 2017 budget.

- Include an adjustment for any new programs not funded during FY 2017 but which are required by current law to begin in FY 2018 or FY 2019. Operating costs for new buildings that are scheduled to open during the biennium may also be requested. Do not request funding for new or discretionary programs; these may be considered as policy adjustments.
- Funding should not be requested for programs currently funded through non-appropriated resources (e.g., pickups of expiring federal funds); these may be considered as policy adjustments.

### **Equipment**

- For General Fund agencies, only equipment that does not meet the requirements for disbursement under the Capital Equipment Purchase Fund (CEPF) should be requested as part of the agency's operating budget (Fund 11000, SID 10050). Equipment that meets CEPF requirements may also be requested but should be coded to CEPF as a funding source.
- Legislative branch agencies and agencies funded from the Special Transportation Fund and industry funds should continue to reflect equipment needs as part of their operating budget requests.
- All agencies must supply descriptions of items to be purchased, quantity and unit cost information, and detailed explanations and justification to support the requested funding level for each year of the biennium.

### **Workers' Compensation Costs**

- Agencies with Workers' Compensation Claims appropriations should request funding based on projected payouts, but should generally not request inflationary increases. Provide documentation to your assigned analyst regarding assumptions used for the request.

### **Fringe Benefit Recovery Rate**

- Please refer to the Comptroller's memorandum 2016-14 regarding the fringe benefit recovery rate in developing your budget for the 2017-2019 biennium. This information is available at: <http://www.osc.ct.gov/2016memos/numbered/201614.htm>

### **Additional Supporting Information**

- Additional data is required in support of certain elements of agency baseline requests:
  - Spending plans: Spending plans are required for grant accounts in Purchase of Service (POS) agencies. The software contains a module for submission of this information.
  - Consultant contracts: A listing of all current and proposed consultant contracts is required from all agencies. The software contains a module for submission of this information.
  - Leases: Pursuant to CGS Sec. 4-67g, OPM's Bureau of Assets Management will provide directions, under separate cover, for completing your agency's state facilities plan. Completion of all required plan documents is required in order to allow for the review of requested lease costs.

**Requests should not include:**

- Expansions of existing programs or funding for new programs.
- Reallocations of funding between appropriations. Such revisions should be submitted as budget options.
- The pick-up of any items funded in FY 2017 from carryforward funds. If there is an unfunded requirement in FY 2018 and/or FY 2019, this must be requested as an expansion option.
- Pick-up of programs funded via expiring federal or private grants, except where existing law does not permit the cancellation of such expenditures.
- Estimates of expenditures related to the implementation of evidence-based programs pursuant to Section 4-77c of the General Statutes. This statutory provision, effective July 1, 2016, applies to the departments of Correction, Children and Families and Mental Health and Addiction Services, and the Court Support Services Division of the Judicial Branch. Any information required about such programs will be addressed in separate guidance.

**Actual Expenditures – FY 2016**

- FY 2016 actual expenditures were extracted from Core-CT on August 4, 2016. Please review all FY 2016 actuals for completeness and accuracy.

**Capital Budget**

As capital plans for the next biennium are developed, agencies should keep in mind the statutory cap on general obligation debt. Any requests for additional bonding should reflect only those projects that are essential to be completed over the next biennium. Additionally:

- Agencies must review all authorized, unallocated bonds that are in effect as of July 1, 2016 and determine which authorizations should be cancelled.
- Agencies with critical needs that are a part of an ongoing project or program should request additional funds in the appropriate fiscal year via the capital budget application.
- Agencies can request a change in purpose by submitting a language-only request via the capital budget application.

Capital budget software will be distributed at the same time as software for the operating budget. **Capital budget requests are due to OPM by September 1, 2016.**

**Submission**

**Baseline operating and capital budget requests are due by September 1, 2016.** Follow the submission instructions in the attachment. Please provide a hard copy of your operating and capital submission to the Office of Fiscal Analysis.

Attachment – Automated Budget System Instructions

c: Agency Fiscal Officers

Neil Ayers, Office of Fiscal Analysis